



## **Revenue Information Bulletin**

**No. 07-005**

**December 27, 2006**

### **Individual Income Tax**

#### **Claiming the Credit for the Louisiana Citizens Property Insurance Corporation Assessments Paid in 2006**

The Taxpayer Services Division announces the following:

##### **Purpose**

The purpose of this Revenue Information Bulletin is to inform taxpayers about the new income tax credit for the Louisiana Citizens Property Insurance Corporation (LA Citizens) regular assessments. This RIB will also describe what documents taxpayers will need to determine the amount of the refund, what documents must be attached to the income tax return and what form taxpayers should use to claim the credit.

##### **Introduction**

In December 2006, the Louisiana Legislature authorized a refundable income tax credit for the LA Citizens assessments that resulted from Hurricanes Katrina and Rita. This credit is available to people who paid the LA Citizens assessments as a part of their homeowner's insurance premium.

The LA Citizens assessments are a result of losses on insured property caused by Hurricanes Katrina and Rita. In years when there are no large catastrophic losses, LA Citizens collects enough premiums to cover their cost of operations. However, the massive losses of Hurricanes Katrina and Rita cost LA Citizens over \$850 Million, which created a deficit. LA Citizens assessments on all admitted property insurance policies in Louisiana were used to fund this deficit left by Hurricanes Katrina and Rita.

##### **How to Determine the Amount of the Credit**

Premium notices mailed since July 2006 may include the LA Citizens assessments due to Hurricanes Katrina and Rita. The LA Citizens assessments are shown as separate line item(s) in addition to your normal premium amount on the "Declaration Page" of your homeowner's insurance premium notice. The Declaration Page names the policyholder, describes the property or liability to be insured, the type of coverage, and policy limits.

Depending on the location of the insured home these line item charges may include one or both of the following:

- Louisiana Citizens FAIR Plan Regular Assessment
- Louisiana Citizens Coastal Plan Regular Assessment

To determine the amount of the credit that you can claim, add the charges for these two line items together. If only one of the two line items appears on your insurance bill, then that is the amount of your credit.

A Revenue Information Bulletin (RIB) is issued under the authority of LAC 61:III.101(D). A RIB is an informal statement of information issued for the public and employees that is general in nature. A RIB does not have the force and effect of law and is not binding on the public or the Department.

You must have actually paid these amounts to claim the credit. It does not matter if you directly paid your insurance company or if the payment was made for you by an escrow company.

This is NOT a credit for the total amount due on your insurance bill. Do NOT add your insurance premium to the LA Citizens assessments. Only claim the amount of the LA Citizens assessments.

### **When the Credit Can Be Claimed**

Only LA Citizens assessments actually paid in 2006 will be allowed as a credit on your 2006 income tax return.

Even though your insurance company has until May 2007 to bill you for these LA Citizens assessments, you may only claim a credit for the LA Citizens assessments in the year that you pay them.

### **Required Documentation for Everyone Claiming the Credit**

A copy of your homeowner's insurance Declaration Page that shows the separate line item charges for the LA Citizens assessments must be attached to all paper income tax returns.

If you file electronically or through LDR e-file, your homeowner's insurance Declaration Page that shows the separate line item charges for the LA Citizens assessments should be retained for 4 years in case of audit.

If you have your return prepared by a paid preparer, such as a national tax service firm or individual tax practitioner, you must bring a copy of the homeowner's insurance Declaration Page that shows the separate line item charges for the LA Citizens assessments to your preparer. Preparers are not authorized to claim this credit on your behalf without this Declaration Page. If you are filing electronically, your preparer must keep a copy of this Declaration Page on file.

Keep any documents showing proof that you actually paid the LA Citizens assessments for 4 years in case of audit.

### **What Form to Use to Claim the Credit**

The form that you will use to claim the credit will depend on whether you are required to file a 2006 Louisiana income tax return and whether you are a resident or nonresident who paid the special assessments. The forms will be available after January 16, 2007.

#### **Individuals Who Are Not Required to File a 2006 Louisiana Income Tax Return**

If you are not required to file a personal income tax return, you will file your claim for refund on the special form provided by the Department of Revenue. This form is called the "Request for Refund of Louisiana Citizens Property Insurance Corporation (LA Citizens) Assessment." It is form number R-540INS, which will be available in mid-January 2007 from the Department's statewide offices and on the Department's website at [www.revenue.louisiana.gov](http://www.revenue.louisiana.gov).

A copy of your homeowner's insurance Declaration Page that shows the separate line item charges for the LA Citizens assessments must be attached to the R-540INS.

**Individuals Who Must File a 2006 Louisiana Income Tax Return**

Louisiana residents who file a Louisiana personal income tax return and are entitled to claim this credit will not use a special form. Residents will use the standard Louisiana Resident income tax return, the IT 540, and will list the credit on Schedule F, Line 9. This line is entitled "Other Credits." Write "LA Citizens Assessment" in the space provided.

If you file a paper income tax return, a copy of your homeowner's insurance Declaration Page that shows the separate line item charges for the LA Citizens assessments must be attached to the return. If you file electronically, keep your homeowner's insurance Declaration Page that shows the separate line item charges for the LA Citizens assessments for 4 years.

Nonresident Louisiana taxpayers who file the 2006 Louisiana nonresident personal income tax return and are entitled to claim this credit will not use a special form. Nonresidents will use the standard Louisiana Nonresident and Part-year Resident income tax return, the IT 540B, and will list the credit on Schedule F, Line 9. This line is entitled "Other Credits." Write "LA Citizens Assessment" in the space provided.

If you file a paper income tax return, a copy of your homeowner's insurance Declaration Page that shows the separate line item charges for the LA Citizens assessments must be attached to the return. If you file electronically, keep your homeowner's insurance Declaration Page that shows the separate line item charges for the LA Citizens assessments for 4 years.

Cynthia Bridges  
Secretary